



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Resolution in Support of Senate Bill 888, entitled, "Repeal of Electricity Deregulation Act of 2003" (EUD)

MEETING DATE: June 3, 2003

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council adopt a resolution in support of Senate Bill 888 (SB 888), entitled, "Repeal of Electricity Deregulation Act of 2003".

BACKGROUND INFORMATION: With the passage of Assembly Bill 1890 in 1996 the traditional obligation of investor owned utilities (IOU) to plan and build sufficient electrical generation to serve the needs of consumers was abandoned. Additionally, the IOUs traditional obligation to serve customers was replaced by an obligation to pass through spot market costs to consumers. This resulted in the consumers of IOUs and many municipally owned utilities suffering severe economic hardship as a result of failures in the electricity market.

SB 888, as now written, would restore that obligation to serve and authorize utility investment in new transmission and generation. SB 888 also ends direct access, beneficial to very few at the expense of many, and recognizes electricity as a necessity, not a commodity.

In 1996, Lodi Electric Utility was unconvinced of the promised benefits of deregulation and its proposed business model. Along with other California municipals, we stayed the course and maintained our obligation to serve our customers. Today, municipal utilities consumers' rates are generally stable, municipal utilities are creditworthy and they are among the very few in California looking to build new generation to meet future electricity needs.

It is staff's belief that healthy electric utilities with a primary purpose of serving the electric needs of their customers is beneficial to all of California and would have secondary benefits for Lodi, such as a more stable wholesale electric market, as well as investment in new transmission and generation. Such investment leads to a higher level of underlying system reliability.

For these reasons, it is respectfully requested that the City Council adopt the attached resolution in support of SB 888, as currently constituted.

FUNDING: None

Alan N. Vallow
Electric Utility Director

PREPARED BY: Sondra Huff, Manager, Governmental Affairs

ANV/SH/1st

C: City Attorney
Finance Director

APPROVED:

Jay Dixon Flynn - City Manager

Back To The Future

California State Senate Bill 888

Repeal of Electricity Deregulation Act of
2003

‘If our State’s electricity market was 5% more efficient than before AB 1890, it would take us 114 years to recover the \$40 billion we lost over ten years.’

...Jerry Jordan, Executive Director CMUA, speaking before the Senate Energy Committee in support of SB 888, May 2003.

State Senate Bill 888

- Introduced by Senators Joseph Dunn, Chairman Senate Select Committee to investigate price manipulation of the wholesale energy market; Debra Bowen, Chairwoman Senate Energy, Utilities and Communications Committee; And John Burton, President pro Tempore.
- Approved by Senate Energy Committee, will now go to the Senate Appropriations Committee and from there to the Senate Floor.

What does it do?

- Seeks to repeal the California electricity deregulation enacted in Assembly Bill 1890 in 1996.
- Eliminates retail direct access.
- Restores the investor-owned utilities (IOU) obligation to serve and returns to cost-of-service regulation to assure Californians of reliable, price stable electricity.

What does it do?

- Authorizes utility investment in new transmission and generation.
- SB 888, as now written, applies only to the State's three IOUs and does not impose new requirements on municipal utilities, like Lodi.

What does it mean to Lodi?

- Members of the muni community have remained fully integrated and never moved from its obligation to serve owner customers, but:
 - Have been victimized by rolling blackouts caused by the inability of IOUs to procure electricity;
 - Have watched prices skyrocket by a dysfunctional electricity market;

What does it mean to Lodi?

- Have been impacted by a dysfunctional power market which has caused most locally owned electric providers, including Lodi, to raise rates as a direct result of that impact.
- Returning the IOUs to the primary purpose of serving the electrical needs of their customers is beneficial to California as a whole and would have secondary benefits for Lodi, such as a more stable wholesale electric market and a higher level of underlying system reliability.

What are we doing?

- Direct advocacy with our elected State officials
- CMUA Press Release, Munis Support SB 888
- CMUA support letter to Senator Dunn
- NCPA hosted Senator Dunn as speaker to the April commission meeting
- NCPA support letter to Senator Dunn
- SCPPA support letter to Senator Dunn
- Muni representatives testified in support of SB 888 at Senate Energy Committee
- Muni representatives participated in Editorial Board with SF Chronicle and Sacramento Bee

What can we do?

- Continue to demonstrate that local regulation of electric service reliability and cost structure continues to work.
- Preserving our successful model of **local control** at the State and Federal level.
- Adopt a Resolution in support of Senate Bill 888.

RESOLUTION NO. 2003-96

A RESOLUTION OF THE LODI CITY COUNCIL IN SUPPORT OF
SENATE BILL 888 (SB 888) ENTITLED, "REPEAL OF ELECTRICITY
DEREGULATION ACT OF 2003"

WHEREAS, the California Legislature, with the passage of AB 1890 in 1996, abandoned the traditional obligation of investor-owned utilities to plan and build sufficient electrical generation to serve the needs of consumers; and

WHEREAS, the traditional investor-owned utility obligation to serve customers was replaced by an obligation to pass through spot market costs to consumers; and

WHEREAS, the consumers of investor-owned and municipally-owned utilities suffered severe economic hardship as a result of failures in the electricity market; and

WHEREAS, the result of a flawed market design resulted in statewide rolling blackouts; and

WHEREAS, the City of Lodi was asked to share in rolling blackouts in spite of having adequate generation resources; and

WHEREAS, SB 888 has been introduced in the California State Senate to return investor-owned utilities to the obligation to serve their customers including the obligation to plan and construct sufficient power plants; and

WHEREAS, reliability of the state's electric system is of paramount importance; and

WHEREAS, the citizens of California have demonstrated a preference for a reliable electrical system; and

WHEREAS, SB 888 provides the framework for greater accountability of the California Independent System Operator.

NOW, THEREFORE, BE IT RESOLVED that the City of Lodi supports the intent of SB 888 as currently constituted and urges California's legislature to ensure that its provisions are implemented in a timely manner.

Dated: June 3, 2003

I hereby certify that Resolution No. 2003-96 was passed and adopted by the Lodi City Council in a special meeting held June 3, 2003, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Howard, Land, and Mayor Hitchcock

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Hansen

ABSTAIN: COUNCIL MEMBERS – None


SUSAN J. BLACKSTON
CITY CLERK